



Patrick W. Henning, Director
October 14, 2008
22M:385:DEJ:8098



Arnold Schwarzenegger
Governor

Mr. Lee Collins, Director
San Luis Obispo Department of Social Services
3343 So. Higuera
PO Box 8119
San Luis Obispo, CA 93403

Dear Mr. Collins:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the San Luis Obispo Private Industry Council's (SLOPIC) Workforce Investment Act (WIA) grant financial management and procurement systems. On March 11, 2008, the San Luis Obispo County Board of Supervisors, at the request of the San Luis Obispo Workforce Investment Board (SLOWIB), approved the transfer of the administrative entity and fiscal agent responsibilities from the SLOPIC to the San Luis Obispo County Department of Social Services (DSS). The DSS officially became the administrative entity and fiscal agent July 1, 2008. As a result, DSS is now responsible for resolving noncompliance WIA issues identified in the monitoring of the San Luis Obispo workforce investment area.

This review was conducted by Mr. David Jansson from May 27, 2008, through May 30, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to

determine the level of compliance by SLOPIC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of SLOPIC, a review of applicable policies and procedures, and a review of documentation retained by SLOPIC for a sample of expenditures and procurements for PY 2007-08.

We received DSS' response to our draft report on September 2, 2008, and reviewed your comments and documentation before finalizing this report. Because your response does not address findings one and two cited in the draft report, we consider these findings unresolved. We requested that DSS provide the Compliance Review Division (CRD) with additional information and a corrective action plan (CAP) to resolve the issues that led to the findings. Therefore, these findings remain open and have been assigned Corrective Action Tracking System (CATS) numbers 80156 and 80157.

BACKGROUND

The SLOPIC was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, SLOPIC was allocated: \$301,214 to serve 41 adult participants; \$508,835 to serve 86 youth participants; and \$361,513 to serve 51 dislocated worker participants.

For the quarter ending March 31, 2008, SLOPIC reported the following expenditures and enrollments for its WIA programs: \$197,001 to serve 40 adult participants; \$303,177 to serve 101 youth participants; and \$219,730 to serve 53 dislocated worker participants.

FISCAL REVIEW RESULTS

We conclude that, overall, SLOPIC met applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

We conclude that, overall, SLOPIC is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas of small purchase contracting requirements and cost/price analysis. The findings that we identified in these areas are specified below.

FINDING 1

Requirement:

29 CFR Part 95, Section 95.43 states, in part, that all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

29 CFR Part 95, Section 95.44 (a)(3)(i) states, in part, that a clear and accurate description of the technical requirements for the service to be procured.

OMB Circular 122, Attachment B, Part 37, Professional Services, Section (b)(8), states, in part, that the allowability is based in part upon the adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions.)

WIAD00-2 states, in part, that each procurement must be documented. Sole source procurements must include the reason for selecting this method, the justification for the selection, and the award document.

Observation:

In our review of the procurement file for Scott Sheely Consultant Services, we saw no justification to substantiate the use of the sole source procurement process. Although SLOPIC's policies and procedures specifically state that "an adequate number of qualified sources" must be obtained, or document that there is a failed competitive process, no documentation was present in the procurement file to justify whether or not Sheely was the only qualified source.

The procurement file did not contain a clear and accurate description of the technical requirement for the service to be procured.

Recommendation:

We recommended that SLOPIC provide documentation to the Compliance Review Division (CRD) that substantiates the use of sole source procurement for Scott Shelly's consultant services.

DSS Response:

The DSS response stated that they were unable to comply with CRD's request for documentation to substantiate the use of the sole source procurement process for Scott Sheely's consultant services. The SLOWIB's consultant, Laura Gurreau, was directed by the SLOWIB to conduct the procurement that led to the contract with Scott Sheely. The DSS stated they determined there was inadequate direction to the WIB Consultant, which in turn facilitated noncompliance with the established procurement policies.

Effective August 1, 2008, DSS adopted an internal procurement policy that complies with all WIA regulations. The DSS will provide guidance on procurement to service providers and contractors, and DSS staff will manage all future procurements on behalf of the SLOWIB and its consultant to ensure that all procurements are documented.

State Conclusion:

Based on the DSS response, we cannot resolve this issue at this time. Effective August 1, 2008, DSS adopted an internal procurement policy that complies with all WIA regulations. The DSS stated it will provide guidance on procurements to service providers and contractors, and DSS procurement staff will manage all future procurements on behalf of the WIB and its consultant. We recommend that DSS provide CRD with a copy of the above procedures and the guidance provided to its service providers and contractors. This finding will remain open until we verify, during a future onsite visit, DSS' successful implementation of its CAP. This finding is assigned CATS number 80156.

FINDING 2**Requirement:**

29 CFR Part 95, Section 95.45 states, in part, that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

WIAD00-2 states, in part, that each procurement must be documented.

Observation: The Sheely consultant procurement contract file did not contain any documentation substantiating that a cost and/or price analysis was conducted.

Recommendation: We recommended that SLOPIC provide CRD with documentation of a cost/price analysis that was conducted prior to selecting and executing a contract with this consultant. Furthermore, SLOPIC must ensure that, in future small purchases, WIA requirements are complied with for small purchases.

DSS Response: The DSS stated there is no documentation that substantiates a cost/price analysis was conducted prior to the selection of the Scott Sheely contract. They further stated that they believe that the WIB Consultant, who was responsible for this procurement, received inadequate direction and oversight on issues of procurement.

Effective August 1, 2008, DSS adopted an internal procurement policy that complies with WIA regulations, including those related to cost/price analysis and small purchases. Additionally, DSS will provide guidance on procurements to service providers and contractors. Finally, DSS procurement staff will manage all future procurements on behalf of the WIB and its consultant.

State Conclusion: Based on the DSS' response, we cannot resolve this issue at this time. The DSS provided a CAP stating it adopted an internal policy and procedures that comply with WIA regulations regarding cost/price analysis and small purchases. However, this documentation was not included in its response. This finding will remain open until we verify, at a future onsite visit, DSS' successful implementation of its CAP. This finding is assigned CATS number 80157.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 12, 2008.

Mr. Lee Collins

-6-

October 14, 2008

Please submit your response to the following address:

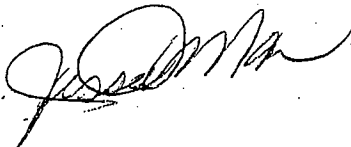
Compliance Monitoring Section
Compliance Review Division
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is DSS' responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain DSS' responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-7005 or Mr. David Jansson at (916) 654-7690.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Don Migge, MIC 50
Daniel Patterson, MIC 45
Lydia Rios, MIC 50